

CITY OF CASCADE

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
Officials	3
Independent Auditor's Report	4-5
Management's Discussion and Analysis	6-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets-	
Cash Basis	A 15
Governmental Funds Financial Statement:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	B 16-17
Proprietary Funds Financial Statement:	
Statement of Cash Receipts, Disbursements	
and Changes in Cash Balances	C 18
Notes to Financial Statements	19-31
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts,	
Disbursements and Changes in Cash Balances –	
Budget and Actual (Cash Basis) – All Governmental	
Funds and Proprietary Funds	33
Notes to Required Supplementary Information	34
Other Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and	
Changes in Cash Balances – Nonmajor Governmental Funds	1 36
Schedule of Indebtedness	2 37
Note Maturities	3 38
Schedule of Receipts by Source and Disbursements by	
Function – All Governmental Funds	4 39
Independent Auditor's Report on Internal Control	
over Financial Reporting and on Compliance and	
Other Matters Based on an Audit of Financial	
Statements Performed in Accordance with	
<u>Government Auditing Standards</u>	40-41
Schedule of Findings	42-44

CITY OF CASCADE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gregory Staner	Mayor	Jan. 2012
Michael Henry	Mayor Pro tem	Jan. 2012
William Boffeli	Council Member	Jan. 2012
Steven Knepper	Council Member	Jan. 2012
Scott Soppe	Council Member	Jan. 2014
Robert Moriarity	Council Member	Jan. 2014
Randy Lansing	City Administrator	Indefinite
Shelley Annis	Clerk	Indefinite
William G. Blum	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

124A Main • P.O. Box 359

Elkader, Iowa 52043

(563) 245-2154 • (800) 310-2154

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Cascade, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Cascade's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Cascade as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2011 on our consideration of the City of Cascade's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cascade's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2010 (which is not presented herein) and expressed qualified opinions on those financial statements which were prepared in conformity with another comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elkader, Iowa

December 29, 2011



Dietz, Donald and Company
Certified Public Accountants
FEIN 42-1172392

CITY OF CASCADE

Mayor: Greg Staner
City Administrator:
Randy Lansing
City Clerk &
Treasurer:
Shelley Annis

320 1st Avenue West
P.O. Box 400
Cascade, IA 52033
Phone 563-852-3114
Fax: 563-852-7554
cascadecity@netins.net

Council Members:
Bill Boffeli
Mike Henry
Steve Knepper
Bob Moriarity
Scott Soppe

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Cascade provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements which follow.

2011 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased by 34.5%, or approximately \$ 596,000 from fiscal 2010 to fiscal 2011. Capital grants and contributions increased approximately \$ 402,000 and property taxes (including TIF receipts) increased approximately \$ 74,000.

Disbursements of the City's governmental activities increased 18.2%, or approximately \$ 351,000, in fiscal year 2011 from fiscal 2010. Public safety and capital projects disbursements increased approximately \$ 83,000 and \$ 655,000 respectively, while community and economic development disbursements decreased approximately \$ 196,000.

The City's total cash basis net assets increased 16.6%, or approximately \$ 242,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased approximately \$ 115,000 and the assets of the business type activities increased approximately \$ 127,000. The discretely presented component unit's (Cascade Municipal Utilities) cash basis net assets increased 80.8% or approximately \$ 945,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole, including the discretely presented component unit, and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

The City's Reporting Entity Presentation

This report includes all activities for which the City of Cascade is fiscally responsible. These activities, defined as the City's reporting entity, are operated within a separate legal entity that is the primary government and another separate legal entity that is included as a component unit.

The primary government consists of one legal entity, The City of Cascade.

The component unit presentation consists of one legal entity, the Cascade Municipal Utilities.

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into three kinds of activities:

Governmental Activities include public safety, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, the sanitary sewer system and garbage collection. These activities are financed primarily by user charges.

Discretely Presented Component Unit consists of the Cascade Municipal Utilities, a legally separate organization that has the potential to provide specific benefits or impose specific financial burdens on the City.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer, and garbage funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$ 933,000 to approximately \$ 1.048 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service	\$ 230	182
Operating grants and contributions	207	218
Capital grants and contributions	402	-
General receipts:		
Property tax	950	877
Local option sales tax	217	224
Unrestricted interest on investments	24	7
Note proceeds	236	165
Other general receipts	57	19
Total receipts	<u>2,323</u>	<u>1,692</u>
Disbursements:		
Public safety	356	273
Public works	331	419
Culture and recreation	163	176
Community and economic development	116	312
General government	187	199
Debt service	261	339
Capital projects	<u>860</u>	<u>205</u>
Total disbursements	<u>2,274</u>	<u>1,923</u>
Change in cash basis net assets before transfers	49	(231)
Transfers, net	<u>66</u>	<u>35</u>
Change in cash basis net assets	115	(196)
Cash basis net assets beginning of year	<u>933</u>	<u>1,129</u>
Cash basis net assets end of year	<u>\$1,048</u>	<u>933</u>

The City's total receipts for governmental activities increased 37.3%, or approximately \$ 631,000. The total cost of all programs and services increased approximately \$ 351,000, or 18.3%. The increase in receipts was due primarily to receipt of approximately \$ 402,000 from capital grants to fund various capital projects, an increase of approximately \$ 64,000 from tax increment financing receipts and an increase of \$ 71,000 from loan proceeds. The increase in disbursements was due primarily to an increase in capital projects spending of approximately \$ 655,000. These capital projects included a street lighting improvement project; a housing rehabilitation project; the Demmer Development Project; the Atchison Road/Tyler Street Project; the Polk Street Lift Station Replacement Project; the Water System

Improvement Project; and the Park Restroom, Amphitheater and Soccer Field Project.

The City property tax rate remained unchanged for 2011. However, because of increased valuations, City property tax receipts increased approximately \$ 10,000. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase approximately \$ 24,000 next year.

The cost of all governmental activities this year was approximately \$2.274 million compared to approximately \$1.923 million last year. However, as shown in the Statement of Activities and Net Assets on page 15 the amount taxpayers ultimately financed for these activities was only \$1.435 million because some of the cost was paid by those directly benefited from the programs (\$ 230,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$ 609,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service increased in 2011 from approximately \$ 400,000 to approximately \$ 839,000. The City paid for the remaining "public benefit" portion of governmental activities (\$1.435 million) with taxes (some of which could only be used for certain programs) and other receipts, such as interest and other general receipts.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 272	246
Sewer	239	218
Garbage	121	118
General receipts:		
Unrestricted interest on investments	6	6
Other general receipts	3	4
Total receipts	<u>641</u>	<u>592</u>
Disbursements:		
Water	185	181
Sewer	158	156
Garbage	105	104
Total disbursements	<u>448</u>	<u>441</u>
Change in cash basis net assets before transfers	193	151
Transfers, net	<u>(66)</u>	<u>(35)</u>
Change in cash basis net assets	127	116
Cash basis net assets beginning of year	520	404
Cash basis net assets end of year	<u>\$ 647</u>	<u>520</u>

The business type activities receipts for the fiscal year were approximately \$ 641,000 compared to approximately \$ 592,000 last year. The increase was due primarily to an increase in water and sewer rates in 2011. Cash basis net assets increased approximately \$ 127,000 from 2010. Total disbursements for the fiscal year increased 1.6% to approximately \$ 448,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Cascade completed the year, its governmental funds reported a combined fund balance of \$1,048,454, an increase of over \$ 115,000 from last year's total of \$ 933,076. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$ 84,510 from the prior year to \$1,156,993. The General Fund increase included note proceeds of \$ 100,000 to purchase the local ambulance service.

The Special Revenue, Urban Renewal Tax Increment Fund was established to account for major urban renewal projects within the City. At the end of the fiscal year, the cash balance was \$ 261,166, an increase of \$ 201,076 from the previous year. Disbursements included \$ 33,914 for street lighting, \$ 95,482 for tax rebates, and \$ 85,823 for park improvements. Another \$ 111,838 was transferred to the Debt Service Fund for debt retirement.

The Debt Service Fund cash balance decreased \$ 2,400 to \$ 0 during the fiscal year. Bond and note principal and interest payments decreased \$ 77,548 in fiscal year 2011.

The Capital Projects Fund cash balance decreased \$ 212,989 to \$(369,760) during the fiscal year. Capital project disbursements increased \$ 545,526 in fiscal year 2011. The Polk Street Lift Station and the Water System Improvement Projects were the primary reasons for the increase in disbursements.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance increased \$ 92,499 to \$ 486,628 due primarily to an increase of \$ 24,813 in water system receipts.

The Enterprise, Sewer Fund cash balance increased \$ 15,814 to \$ 29,008.

The Enterprise, Garbage Fund had a cash balance of \$ 113,189, an increase of \$ 18,196 from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 23, 2011 and resulted in an increase in budgeted disbursements of \$ 1,812,081.

The City's receipts were \$ 2,262,820 less than budgeted. Because the City includes its component unit in the budget process, charges for services were \$ 2,276,270 less than budgeted, primarily related to Cascade Municipal Utilities.

The City's total disbursements were \$ 804,573 less than budgeted, primarily due to the Municipal Utilities disbursements being less than budgeted.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$ 904,300 in notes outstanding, compared to \$ 888,910 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	2011	2010
General obligation notes	\$ 485	497
Urban renewal tax increment financing revenue notes	300	390
Revenue notes	119	2
Total	\$ 904	889

Debt increased as a result of 2010 note retirement of \$ 220,160 being less than the \$ 235,550 of debt issued.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$ 785,300 is significantly below its constitutional debt limit of \$5.8 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Cascade's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Sales tax receipts decreased \$ 6,713 in fiscal 2011 because of the sluggish economy. Taxable property valuations increased approximately \$ 2.845 million or 5.3%. Over the last 10 years the City's population has increased 201 to 2,159 and that trend is expected to continue.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are approximately \$ 5.726 million, a decrease of 28.9% under the final 2011 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$ 158,000 by the close of 2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Shelley Annis, City Clerk, 320 1st Avenue West, Cascade, Iowa 52033-0400.

BASIC FINANCIAL STATEMENTS

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Exhibit A

CITY OF CASCADE
STATEMENT OF ACTIVITIES AND NET ASSETS -- CASH BASIS
As of and for the Year Ended June 30, 2011

Functions/Programs:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Activities	Business Type Activities	Discreetly Presented Component Unit
Governmental activities:							
Public safety	\$ 356,283	85,712	1,575	-	(268,996)	-	-
Public works	330,388	66,769	200,310	-	(63,309)	-	-
Culture and recreation	163,113	40,665	4,512	-	(117,936)	-	-
Community and economic dev.	116,282	3,334	-	-	(112,948)	-	-
General government	186,458	24,962	500	-	(160,996)	-	-
Debt service	261,384	8,482	-	-	(252,902)	-	-
Capital projects	859,861	-	-	402,111	(457,750)	-	-
Total governmental activities	2,273,769	229,924	206,897	402,111	(1,434,837)	-	-
Business type activities:							
Water	184,768	272,104	-	-	87,336	87,336	-
Sewer	158,688	238,884	-	-	80,196	80,196	-
Garbage	104,703	120,513	-	-	15,810	15,810	-
Total business type activities	448,159	631,501	-	-	183,342	183,342	-
Discretely presented component unit:	\$ 2,721,928	861,425	206,897	402,111	(1,434,837)	183,342	(1,251,495)
Cascade Municipal Utilities	\$ 4,321,759	2,931,714	-	-	-	-	(1,390,043)
General receipts and transfers:							
Property tax					454,211	-	-
Tax increment financing					496,139	-	-
Local option sales tax					217,024	-	-
Unrestricted interest on investments					6,195	-	14,876
Net proceeds					235,550	-	2,275,000
Miscellaneous					27,055	-	45,072
Sale of assets					30,000	-	-
Transfers					66,296	(66,296)	-
Total general receipts and transfers					1,550,215	(56,833)	2,334,948
Change in cash basis net assets					115,378	126,509	944,903
Cash basis net assets beginning of year					933,076	520,316	1,169,409
Cash basis net assets end of year					\$ 1,048,454	646,825	2,114,312
Cash Basis Net Assets							
Restricted:							
Nonexpendable:							
Utility deposits					\$ -	17,348	50,415
Expendable:							
Urban renewal purposes					261,166	-	261,166
Debt service					-	4,008	230,274
Other purposes					55	-	55
Unrestricted					787,233	625,469	1,833,673
Total cash basis net assets					\$ 1,048,454	646,825	2,114,312

Exhibit B

CITY OF CASCADE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2011

	Special Revenue			Capital Projects	Nonmajor	Total
	General	Urban Renewal Tax Increment	Debt Service			
Receipts:						
Property tax	\$ 438,529	-	-	-	15,682	454,211
Tax increment financing	-	496,139	-	-	-	496,139
Other city tax	233,362	-	-	-	-	233,362
Licenses and permits	7,933	-	-	-	-	7,933
Use of money and property	23,790	797	23	-	15	24,625
Intergovernmental	38,752	-	-	402,111	193,945	634,808
Charges for service	164,045	-	-	-	-	164,045
Special assessments	-	-	8,482	-	-	8,482
Miscellaneous	30,362	3,334	-	-	-	33,696
Total receipts	936,773	500,270	8,505	402,111	209,642	2,057,301
Disbursements:						
Operating:						
Public safety	356,283	-	-	-	-	356,283
Public works	97,748	33,914	-	-	198,726	330,388
Culture and recreation	163,113	-	-	-	-	163,113
Community and economic development	20,800	95,482	-	-	-	116,282
General government	168,725	2,137	-	-	15,596	186,458
Debt service	-	-	261,384	-	-	261,384
Capital projects	23,388	85,823	-	750,650	-	859,861
Total disbursements	830,057	217,356	261,384	750,650	214,322	2,273,769
Excess (deficiency) of receipts over (under) disbursements	106,716	282,914	(252,879)	(348,539)	(4,680)	(216,468)
Other financing sources (uses):						
Note proceeds	100,000	-	-	135,550	-	235,550
Sale of capital assets	-	30,000	-	-	-	30,000
Operating transfers in	5,500	2,167	252,701	-	51,676	312,044
Operating transfers out	(127,706)	(114,005)	(2,222)	-	(1,815)	(245,748)
Total other financing sources (uses)	(22,206)	(81,838)	250,479	135,550	49,861	331,846
Net change in cash balances	84,510	201,076	(2,400)	(212,989)	45,181	115,378
Cash balances beginning of year	1,072,483	60,090	2,400	(156,771)	(45,126)	933,076
Cash balances end of year	\$ 1,156,993	261,166	-	(369,760)	55	1,048,454

Exhibit B
(continued)

CITY OF CASCADE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2011

	General	Special Revenue Urban Renewal Tax Increment	Debt Service	Capital Projects	Nonmajor	Total
Cash Basis Fund Balances						
Restricted for:	\$ -	261,166	-	-	-	261,166
Urban renewal purposes	-	-	-	-	55	55
Other purposes	27,199	-	-	-	-	27,199
Committed for:	66,620	-	-	-	-	66,620
Police car	56,703	-	-	-	-	56,703
Fire truck	31,693	-	-	-	-	31,693
Riverview Park wall	44,438	-	-	-	-	44,438
Truck	20,720	-	-	-	-	20,720
Self-funded health insurance	5,920	-	-	-	-	5,920
Swimming pool	41,176	-	-	-	-	41,176
Cable	14,196	-	-	-	-	14,196
Parks/playground	567,822	-	-	-	-	567,822
Library	47,660	-	-	-	-	47,660
First Avenue bridge	24,566	-	-	-	-	24,566
Trail	3,089	-	-	-	-	3,089
Siren	205,191	-	-	(369,760)	-	(164,569)
Bicentennial	-	-	-	-	-	-
Unassigned	\$1,156,993	261,166	-	(369,760)	55	1,048,454
Total cash basis fund balances	\$1,156,993	261,166	-	(369,760)	55	1,048,454

See notes to financial statements.

CITY OF CASCADE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the Year Ended June 30, 2011

	Enterprise Funds			Total
	Water	Sewer	Garbage	
Operating receipts:				
Charges for service	\$ 272,104	238,884	120,513	631,501
Operating disbursements:				
Business type activities	184,768	158,688	104,703	448,159
Excess of operating receipts over operating disbursements	87,336	80,196	15,810	183,342
Non-operating receipts:				
Interest on investments	3,710	99	2,386	6,195
Deposits (refunds) net	3,268	-	-	3,268
Total non-operating receipts	6,978	99	2,386	9,463
Excess of receipts over disbursements	94,314	80,295	18,196	192,805
Operating transfers out	(1,815)	(64,481)	-	(66,296)
Net change in cash balances	92,499	15,814	18,196	126,509
Cash balances beginning of year	394,129	13,194	112,993	520,316
Cash balances end of year	\$ 486,628	29,008	131,189	646,825
Cash Basis Fund Balances:				
Restricted:				
Nonexpendable:				
Utility deposits	\$ 17,348	-	-	17,348
Expendable:				
Debt service	-	4,008	-	4,008
Unrestricted	469,280	25,000	131,189	625,469
Total cash basis fund balances	\$ 486,628	29,008	131,189	646,825

See notes to financial statements.

CITY OF CASCADE
Notes to Financial Statements
June 30, 2011

(1) Summary of Significant Accounting Policies

The City of Cascade is a political subdivision of the State of Iowa located in Dubuque and Jones Counties. It was first incorporated in 1858 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Cascade has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has one component unit which meets the Governmental Accounting Standards Board criteria.

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component unit that is discretely presented in the City's report is presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Cascade Municipal Utilities (CMU)	Created to finance, develop and operate the Municipal Utilities which provides gas and electric services to the City. The CMU governing body is composed of three members appointed by the City Council.

The Utilities issues a publicly available audited financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: Cascade Municipal Utilities; 320 1st Avenue West; P.O. Box 400; Cascade, Iowa 52033-0400.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dubuque and Jones County Assessor's Conference Boards, Dubuque and Jones County Emergency Management Commissions, and Dubuque and Jones County Joint E911 Service Boards.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service. Activity between the primary government (the City) and the discretely presented component unit (the Cascade Municipal Utilities) are reported as if they were external transactions and are classified separately from internal activities within the primary government.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Non-expendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including customer utility deposits.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is to account for major construction and improvement projects in the City.

The City reports the following major proprietary funds:

The Enterprise Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Garbage Fund accounts for the operation of the City's garbage collection operation except for recycling which is accounted for in the General Fund.

C. Measurement Focus and Basis of Accounting

The City of Cascade maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then general receipts.

When disbursements in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints imposed by the City Council through resolution approved prior to year end. Those committed amounts cannot be used for any purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The City's and Utilities' deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City and Utilities are authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council or Utility Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3. However, the Utilities had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$ 8 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The City's and Utilities' investment policies limit the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City and Utilities.

Credit risk- The Utilities' investment in the Iowa Public Agency Investment Trust is unrated.

(3) Notes Payable

Annual debt service requirements to maturity for general obligation notes, urban renewal tax increment financing revenue notes and revenue notes of the City are as follows:

Year Ending June 30	General Obligation		Urban Renewal Tax Increment Financing		Revenue Notes		Total	
	Notes		Revenue Notes		Revenue Notes			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 217,160	19,855	95,000	11,758	18,000	3,570	330,160	35,183
2013	122,160	11,983	100,000	8,100	19,000	3,030	241,160	23,113
2014	32,160	6,236	105,000	4,200	20,000	2,460	157,160	12,896
2015	32,160	4,809	-	-	20,000	1,860	52,160	6,669
2016	32,160	3,382	-	-	21,000	1,260	53,160	4,642
2017-2019	49,500	3,911	-	-	21,000	630	70,500	4,541
Total	\$ 485,300	50,176	300,000	24,058	119,000	12,810	904,300	87,044

Urban Renewal Tax Increment Financing Notes

The City issued \$ 645,000 of urban renewal tax increment financing (TIF) revenue notes in May, 2007 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The notes are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to provide 100% of the debt service requirements over the life of the notes. The proceeds of the urban renewal tax increment financing notes shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limit of the City. Total principal and interest remaining on the notes is \$ 324,058, payable through June 2014. For the current year, principal and interest paid and total TIF receipts were \$ 105,178 and \$ 496,139, respectively.

Revenue Notes

On February 17, 2010, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$ 137,000 of sewer revenue notes with interest at 3% per annum. The notes were issued pursuant to the provisions of Sections 384.24A and 384.83 of the Code of Iowa for the purpose of paying the cost of improvements to the Polk Street lift station.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$ 137,000 of sewer revenue notes issued on February 17, 2010 with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. Annual principal and interest payments on the notes are expected to require less than 33% of net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 21,206 and \$ 80,196, respectively.

The resolution providing for the issuance of the sewer revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) The rents, rates and other charges shall be at least sufficient to meet the operation and maintenance expenses of the sewer system and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue notes.

Annual debt service requirements to maturity for revenue notes of the Utility are as follows:

Year Ending June 30,	<u>Electric Revenue Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 130,000	63,353
2013	135,000	61,792
2014	135,000	59,903
2015	140,000	57,540
2016	140,000	54,740
2017-2021	755,000	216,175
2022-2025	<u>710,000</u>	<u>72,597</u>
Total	<u>\$2,145,000</u>	<u>586,100</u>

The resolution providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the electric utility and the note holders hold a lien on the future earnings of the utilities. The notes are callable June 1, 2017 at par.

(b) Sufficient monthly transfers shall be made to an electric revenue note sinking account for the purpose of making the note principal and interest payments when due.

(c) Additionally, \$ 227,500 has been set aside from the note proceeds to create a principal and interest reserve account. These funds are set aside for the purpose of making principal and interest payments when funds are not sufficient in the sinking account.

(4) Pension and Retirement Benefits

The City and Utilities contribute to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the City and Utility are required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011 and 2010 were \$ 30,495 and \$ 28,915, respectively. The Utilities' contributions to IPERS for the years ended June 30, 2011 and 2010 were \$ 19,168 and \$ 18,133 respectively. The City's and Utilities' contributions were equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 8 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

The Utilities operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 6 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City and the Utilities.

The City and the Utilities finance the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$ 280 for single coverage and \$ 635 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011 the City contributed \$ 51,642 and plan members contributed \$ 4,050. The most recent active member monthly premiums for the Utilities and plan members are \$ 300 for single coverage and \$ 680 for family coverage. For the year ended June 30, 2011 the Utilities contributed \$ 42,591 and plan members contributed \$ 3,000.

(6) Compensated Absences

The City and Utility employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death.

These accumulations are not recognized as disbursements until used or paid. The City's and Utility's approximate liability for earned compensated absences payable to employees at June 30, 2011, are as follows:

<u>Type of Benefit</u>	<u>City</u> <u>Amount</u>	<u>Utilities</u> <u>Amount</u>
Vacation	<u>\$ 13,000</u>	<u>\$ 16,000</u>

These liabilities have been computed based on rates of pay in effect at June 30, 2011.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 1,815
	Debt Service	55
	Enterprise:	
	Water	1,815
	Sewer	<u>1,815</u>
		<u>5,500</u>
Special Revenue:		
Urban Renewal		
Tax Increment Debt Service		<u>2,167</u>
Road Use Tax	General	43,676
	Enterprise:	
	Sewer	<u>8,000</u>
		<u>51,676</u>
Debt Service	General	84,030
	Special Revenue:	
	Urban Renewal Tax Increment	114,005
	Enterprise:	
	Sewer	<u>54,666</u>
		<u>252,701</u>
Total		<u>\$312,044</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Related Party Transactions

The City paid the Utilities \$ 134,023 for gas, electric and collection service for the fiscal year ended June 30, 2011.

(9) Risk Management

The City and Utilities are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City and Utilities assume liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance during the fiscal years ended June 30, 2011 and 2010.

(10) Deficit Balances

The Capital Projects Fund had a deficit balance of \$ 369,760 at June 30, 2011. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of note and grant proceeds.

(11) Development Agreements

The City has entered into three development agreements to assist various urban renewal projects.

With the first agreement the City has agreed to rebate 95% of the incremental tax paid by the developer in exchange for construction of an assisted living facility by the developer on land located within the Cascade Urban Renewal Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of five years beginning December 1, 2008 and continuing through and including June 1, 2013, or until such earlier date upon which payments equal to \$ 300,000 have been made. The payments shall not constitute a general obligation of the City, but shall be made solely and only from incremental property taxes received by the City from the Dubuque County Treasurer which are attributable to the Property. During the year ended June 30, 2011, the City rebated \$ 45,482 of incremental tax under this agreement. The maximum remaining balance at June 30, 2011, was \$ 186,559.

With the second agreement the City has agreed to rebate 70% of the incremental tax paid by the developer, in exchange for construction and operating of a grocery store by the developer on land within the Cascade Urban Revenue Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of ten years beginning December 1, 2011 and continuing through and including June 1, 2021, or until such earlier date upon which payments equal to \$ 300,000 have been made. The payments shall not constitute a general obligation of the City and shall be subject to annual appropriation by the City Council. The City shall also provide the developer with a five-year, \$ 200,000 forgivable loan at zero percent interest to cover development and construction expenses with building the new grocery store. Beginning January 1, 2010, for each month of operation the developer completes, \$3,333 shall be forgiven by the City. If the developer ceases to own and operate said grocery store at any point during the five-year period, the unforgiven balance shall be immediately due and payable. At June 30, 2011 the unforgiven balance of the loan was \$ 140,000.

With the third agreement the City has lent \$ 50,000 in October, 2010 in connection with the remodeling of a commercial building to be used as a chiropractic clinic. The note is payable in monthly installments of \$ 416.67 over 10 years with no interest. The balance at June 30, 2011 is \$ 46,666.

(12) Commitments

The City has appropriated \$ 70,195 of urban renewal tax increment financing revenues for the fiscal year ended June 30, 2011 for the rebate of property taxes in connection with the development agreements described in Note 11.

At June 30, 2011, the City had a balance of \$ 96,299 remaining on a construction contract and a balance of \$ 168,800 on an engineering agreement.

At June 30, 2011 the City has committed to leasing the equipment of a privately owned ambulance service. The lease term runs from July 1, 2010 to December 31, 2011 with payments of \$ 20,000 due quarterly through October 1, 2011. The City paid \$ 100,000 under the lease during the year ended June 30, 2011 with one payment of \$ 20,000 remaining. At the end of the lease-term the City has the option to purchase the ambulance service for an additional \$ 100,000.

The City is leasing the building housing the ambulance service beginning July 1, 2010 through June 30, 2011 at a monthly amount of \$ 500. Total rents paid under this lease were \$ 6,000 for the fiscal year ended June 30, 2011. The City has renewed this lease for one year.

(13) Subsequent Events

The City has entered into a construction contract and an engineering agreement totaling approximately \$ 129,000.

The City entered into two development agreements after June 30, 2011, one for the development of a restaurant, and the other for the development of a corporate office, gas station and convenience store. Payments under these two agreements will not exceed \$ 155,000 and cannot extend beyond June 1, 2023

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CASCADE
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
AND COMPONENT UNIT
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2011

	Governmental Funds	Proprietary Funds	Discretely Presented Component Unit	Total	Budgeted Amounts		Final to Total Variance
	Actual	Actual	Actual		Original	Final	
Receipts:							
Property tax	\$ 454,211	-	-	454,211	451,139	451,139	3,072
Tax increment financing	496,139	-	-	496,139	491,820	491,820	4,319
Other city tax	233,362	-	-	233,362	208,300	208,300	25,062
Licenses and permits	7,933	-	-	7,933	7,330	7,330	603
Use of money and property	24,625	6,195	14,876	45,696	46,429	46,429	(733)
Intergovernmental	634,808	-	-	634,808	698,121	698,121	(63,313)
Charges for service	164,045	631,501	2,967,104	3,762,650	4,261,070	6,038,920	(2,276,270)
Special assessments	8,482	-	-	8,482	4,598	4,598	3,884
Miscellaneous	33,696	3,268	9,682	46,646	6,090	6,090	40,556
Total receipts	2,057,301	640,964	2,991,662	5,689,927	6,174,897	7,952,747	(2,262,820)
Disbursements:							
Public safety	356,283	-	-	356,283	248,274	393,274	36,991
Public works	330,388	-	-	330,388	334,012	349,012	18,624
Culture and recreation	163,113	-	-	163,113	195,439	195,439	32,326
Community and economic development	116,282	-	-	116,282	72,276	122,776	6,494
General government	186,458	-	-	186,458	185,324	197,324	10,866
Debt service	261,384	-	-	261,384	204,709	264,709	3,325
Capital projects	859,861	-	-	859,861	815,521	890,521	30,660
Business type activities	448,159	448,159	4,321,759	4,769,918	3,980,624	5,435,205	665,282
Total disbursements	2,273,769	448,159	4,321,759	7,043,687	6,036,179	7,848,260	804,573
Excess (deficiency) of receipts over (under) disbursements	(216,468)	192,805	(1,330,097)	(1,353,760)	138,718	104,487	(1,458,247)
Other financing sources (uses) net	331,846	(66,296)	2,275,000	2,540,550	-	235,550	2,305,000
Excess of receipts and other financing sources over disbursements and other financing uses	115,378	126,509	944,903	1,186,790	138,718	340,037	846,753
Balances beginning of year	993,076	520,316	1,169,409	2,622,801	2,615,133	2,615,133	7,668
Balances end of year	\$ 1,048,454	646,825	2,114,312	3,809,591	2,753,851	2,955,170	854,421

See accompanying independent auditor's report and notes to required supplementary information - budgetary reporting.

CITY OF CASCADE

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$ 1,812,081. The budget amendments are reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF CASCADE
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 As of and for the Year Ended June 30, 2011

	Special Revenue		
	Road Use Tax	Employee Benefits	Total
Receipts:			
Property tax	\$ -	15,682	15,682
Use of money and property	-	15	15
Intergovernmental	193,945	-	193,945
Total receipts	193,945	15,697	209,642
Disbursements:			
Operating:			
Public works	198,726	-	198,726
General government	-	15,596	15,596
Total disbursements	198,726	15,596	214,322
Excess (deficiency) of receipts over (under) disbursements	(4,781)	101	(4,680)
Other financing sources (uses):			
Operating transfers in	51,676	-	51,676
Operating transfers out	(1,815)	-	(1,815)
Total other financing sources (uses)	49,861	-	49,861
Net change in cash balances	45,080	101	45,181
Cash balances beginning of year	(45,080)	(46)	(45,126)
Cash balances end of year	\$ -	55	55
Cash Basis Fund Balances:			
Restricted for:			
Other purposes	\$ -	55	55

See accompanying independent auditor's report.

CITY OF CASCADE
SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2011

Obligation	Issue	Date of	Interest	Amount	Balance	Issued	Redeemed	Balance	Interest
			Rates	Originally	Beginning	During	During	End of	Paid
				Issued	of Year	Year	Year	Year	
Primary Government:									
General obligation notes:									
Corporate purpose	Oct. 1, 2001		4.60 - 4.80%	\$ 800,000	235,000	-	80,000	175,000	11,995
Street improvement	Dec. 20, 2006		4.95%	156,600	93,960	-	15,660	78,300	4,651
Street improvement	Nov. 11, 2009		3.95%	165,000	148,500	-	16,500	132,000	5,866
Ambulance acquisition	Nov. 1, 2010		2.45%	100,000	-	100,000	-	100,000	-
Total					<u>\$ 497,460</u>	<u>100,000</u>	<u>112,160</u>	<u>485,300</u>	<u>22,512</u>
Urban renewal tax increment financing (TIF) revenue notes									
	May 1, 2007		3.80 - 4.00%	\$ 645,000	390,000	-	90,000	300,000	15,178
Revenue note:									
Polk Street lift station	Feb. 17, 2010		3.00%	\$ 137,000	1,450	135,450	18,000	119,450	3,206
Discretely Presented Component Unit:									
Revenue notes:									
Electric	Dec. 1, 2001		4.80% - 5.00%	\$ 980,000	300,000	-	300,000	-	2,288
Electric	Jan. 27, 2011		0.95% - 4.10%	2,275,000	2,275,000	-	130,000	2,145,000	22,247
Total					<u>\$ 300,000</u>	<u>2,275,000</u>	<u>430,000</u>	<u>2,145,000</u>	<u>24,535</u>

See accompanying independent auditor's report.

Schedule 3

See accompanying independent auditor's report.

CITY OF CASCADE
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 For the Last Two Years

	<u>2011</u>	<u>2010</u>
Receipts:		
Property tax	\$ 454,211	444,562
Tax increment financing	496,139	432,131
Other city tax	233,362	240,517
Licenses and permits	7,933	7,226
Use of money and property	24,625	26,638
Intergovernmental	634,808	211,296
Charges for service	164,045	92,195
Special assessments	8,482	46,354
Miscellaneous	<u>63,696</u>	<u>25,234</u>
Total	\$ <u>2,087,301</u>	<u>1,526,153</u>
Disbursements:		
Operating:		
Public safety	\$ 356,283	273,074
Public works	330,388	418,696
Culture and recreation	163,113	176,266
Community and economic development	116,282	312,345
General government	186,458	198,764
Debt service	261,384	338,932
Capital projects	<u>859,861</u>	<u>205,124</u>
Total	\$ <u>2,273,769</u>	<u>1,923,201</u>

See accompanying independent auditor's report.

STEVEN S. CLAUSEN, CPA

124A Main • P.O. Box 359

Elkader, Iowa 52043

(563) 245-2154 • (800) 310-2154

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Cascade as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated December 29, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Cascade's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cascade's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Cascade's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Cascade's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cascade's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The City of Cascade's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Cascade's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Cascade and other parties to whom the City of Cascade may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Cascade during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

December 29, 2011


Dietz, Donald and Company
Certified Public Accountants
FEIN 42-1172392

CITY OF CASCADE
SCHEDULE OF FINDINGS
Year Ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL MATERIAL WEAKNESSES:

No material weaknesses were identified

INSTANCES OF NON-COMPLIANCE

No matters were noted

CITY OF CASCADE
SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part II: Other Findings Related to Statutory Reporting:

- II-A-11 **Certified Budget** – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted. Chapter 384.20 of the Code of Iowa states, in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.”
- II-B-11 **Questionable Disbursements** – We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from funds as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-11 **Travel Expense** – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-11 **Business Transactions** – No business transactions between City and City officials or employees were noted.
- II-E-11 **Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-11 **Council Minutes** – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-11 **Deposits and Investments** – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- II-G-11 **Revenue Notes** – No instances of noncompliance with the revenue note resolutions were noted.
- II-I-11 **Financial Condition** – The Capital Projects Fund had a deficit balance of \$ 369,760 at June 30, 2011.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to sound financial positions.

Response – The deficit was due to construction costs incurred prior to receipt of note and grant proceeds. The deficit will eventually be eliminated.

Conclusion – Response accepted.

CITY OF CASCADE

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

- II-J-11 **Certified Budget** – Although the Council is required by local ordinance to approve the budget of its discretely presented component unit, Cascade Municipal Utilities, it is not required by state law to include the Utilities in its certified budget.

Recommendation – To simplify the budget process for the City, the Utilities should be eliminated from the City's certified budget.

Response – We will consider this.

Conclusion – Response accepted.

- II-K-11 **Records of Account** – Ambulance receipts are collected by a third party and later transferred to the City by the agent. This account is not included in the City records. At June 30, 2011, this account had a balance of \$ 6,829. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Recommendation – For better accountability, financial and budgetary control, the financial activity and balances of the ambulance account should be recorded in the City records.

Response – We will determine the best way to do this.

Conclusion – Response accepted.